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GAO

Report to the Chairman, Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations

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EXPORT PROMOTION

Activities of the Commerce Department's District Offices

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GAO

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National Security and International
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The Honorable Doug Barnard
Chairman, Subcommittee on Commerce,
Consumer, and Monetary Affairs
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

At the request of your Subcommittee, we reviewed the mission, activities, and effectiveness of the Department of Commerce's district offices. These offices, now numbering 47, are currently included in Commerce's International Trade Administration as the United States and Foreign Commercial Service (US&FCS), Domestic Operations. This letter summarizes the primary findings of our work. Appendix I contains our responses to the six specific questions raised in the Subcommittee's request. Appendix II presents the review objectives, scope, and methodology. Appendixes III through XI present relevant data and detailed observations supporting the responses to your questions.

The stated mission of the district offices is to promote exports. The primary goal is to assist small and medium-sized firms to develop their export potential by providing them with information and advice to help them begin exporting or, if already exporting, to enter new markets. District office personnel are expected to seek out and individually counsel firms about their export potential and about Commerce services that can help them to export. The district offices also heighten export awareness in the business community by sponsoring or participating in export seminars and by working with state and private export promotion organizations. In addition to efforts designed to realize the primary goal, district offices also respond to any business request for export information and advice. For example, in recent years district offices have devoted an increasing portion of their resources to assisting businesses to comply with export control regulations.

US&FCS tracks its success in meeting its primary goal by trying to measure how many new exports take place as a result of district office counseling and other assistance. District office trade specialists make monthly reports on export accomplishments; that is on the new exports attributed to district office export promotion efforts. US&FCS aggregates these data to demonstrate the total contribution that the district offices make to U.S. exports. For example, in fiscal year 1984 US&FCS reported

$1.14 billion in new exports as a result of district office export promotion efforts.

Business Responses to GAO Questionnaires

We conducted two different questionnaire surveys to determine how successful the district offices are in promoting new exports and how useful they are to the business community. The first survey was sent to essentially all firms that the district offices reported had started to export or had exported to new markets as a result of their efforts. This questionnaire was designed, among other objectives, to determine the accuracy of reported export accomplishments, which has been the US&FCS primary measure of program effectiveness. The second survey was sent to a random sample of firms reported as having been counseled by the district offices in an effort to induce them to begin exporting or to otherwise assist them on exporting matters. This questionnaire was sent out to determine the firms' judgements as to how useful these efforts were.

Commerce Overstated Export Accomplishments

When compared with the responses to our survey, US&FCS-reported district office accomplishments in helping businesses to begin exporting or to export to new markets appear to be substantially overstated. Forty-five percent of the firms answered that the export claimed for their firm was either not their first or not their first into the market cited. In addition, supplemental information we collected indicates that some exports, including some very large reported export accomplishments, never took place. Our survey work completed in 1984 in 12 district offices revealed that 3 reported exports with a value of $318 million accounted for 70 percent of export accomplishments claimed by these offices for the year ending June 30, 1983. However, when we contacted these firms, two said that the reported exports had never taken place and the third reported that the export took place with little or no help from a district office. The results of the first survey questionnaire regarding the value of the export promotion counseling showed that of the sample of firms that Commerce had reported as having made new exports because of district office efforts, only 38 percent remembered the counseling sessions and found them at least somewhat influential in making the reported exports.

Commerce Improves Export Reporting Criteria

We attribute the results of our surveys to insufficient control over the accuracy of district office reporting. Further, the US&FCS reporting criteria defined "new to export" and "new to market" to mean the absence

of sustained exporting only over the preceding 12 months and did not provide for sufficient causal relationship between district office efforts and the exports reported. We briefed US&FCS about these problems and it subsequently tightened controls over reporting and revised the criteria for measuring district office successes in developing new exporters or new markets. We reviewed the revised criteria and controls and believe that they will produce more useful data about this facet of district office performance. (See app. VI for a discussion of this matter.) However, we believe the data would be even more useful if they were systematically tested by comparing reported successes with the perceptions of new exporters or new market entrants of the district offices' role in their successes. We are making a recommendation to this effect. (See app. I, p. 9.)

Businesses Find Export Facilitation Services Useful

We also learned from our surveys and from interviews with businesses that, despite our critical assessment of the US&FCS claims of export accomplishments, the firms assisted by the district offices did, for the most part, find that help useful. The district offices indirectly contribute to the nation's export performance by facilitating exports to established markets. Approximately two-thirds of the 714 firms responding to the first survey remembered being helped by district office trade specialists and stated that the contacts had been useful to at least some extent. Two-thirds of the almost 400 firms in the second survey remembered the contacts which had been recorded by the district offices; 87 percent of them stated that the district offices had been useful to some degree, even though that help could not be depicted as being key to their firms' export initiatives or performance. While US&FCS tries to measure the effectiveness of its export promotion efforts by reporting export accomplishments, it has no measure of the usefulness or value of the less-directed assistance to firms, which we call export facilitation. This is unfortunate, because the most useful function of the district offices appears to be quite different from the primary mission assigned to them. We believe that our recommendation for a periodic survey of client firms would also provide useful information on the value of activities to facilitate exports.

Conclusions

In summary, we found that the district offices were not as effective in influencing businesses to begin to export or to enter new markets as their reported accomplishments suggested. On the other hand, our data showed that they have achieved some success toward this goal and also have been useful to the exporting community in facilitating exports.

Recommendation of President's Private Sector Survey on Cost Control Regarding District Offices

The issue of the role and usefulness of the district offices is especially important because the President's Private Sector Survey on Cost Control (PPSSCC) recommended that these offices be phased out and that export promotion activities be centralized at Commerce's Washington headquarters. The PPSSCC recommendation was based on an analysis of fiscal year 1981 data which appeared to show that most of the dollar value of US&FCS-reported export accomplishments came from the exports of a small number of firms. For example, 17 large exports accounted for $825 million, or 53 percent, of the $1.6 billion of export accomplishments US&FCS reported for that fiscal year. Three of these 17 reported export sales accounted for $450 million, or 29.7 percent, of the year's total. The PPSSCC concluded from this analysis that it was wasteful to devote resources to low-potential exporters and that export promotion efforts should be concentrated on high-potential exporters.

Accordingly, the PPSSCC recommended that export promotion work be limited to a headquarters organization which would target and counsel high-export-potential firms via electronic means from Washington. The field-based organization which maintained grass-roots outreach to local firms would be eliminated.

GAO Does Not Agree With Recommendation

Our work showed that the PPSSCC data and analysis do not adequately support its conclusions and recommendations. Its proposal is based on an analysis of what we found to be erroneous and misleading US&FCS-generated data. As noted above, our survey of firms for which US&FCS claimed export accomplishments revealed that (1) reported high-dollar value exports, such as those so important to the PPSSCC recommendations, did not actually take place and (2) many claimed new exports or exports to new markets were overstated or the district office contributions to the exports were exaggerated.

A further weakness in the PPSSCC study is that it did not collect data on the usefulness of district office work with state and other trade promotion organizations nor on the value of the district office export facilitation activities which we found to be useful to the business community. For these reasons, we do not agree with the PPSSCC recommendations.

Agency Comments

The Department of Commerce commented that a major reason for the overstatements of new-to-export and new-to-market accomplishments was its excessive reliance on numerical goals as a means of determining the effectiveness of its program. We agree with Commerce's comment

that "while it is necessary to have some tangible evidence to measure our efforts, we must recognize there is no decisive way to determine the effect of our counseling on businesses." Commerce stated that to more realistically assess its efforts, it is stressing the need to combine a quantitative and qualitative approach. (See app. XII.)

Commerce stated that changes in its reporting process and requirements (see app. VI) will guard against the abuse revealed and ensure the reliability of the information supplied to headquarters by the district offices. Finally, commerce agreed to implement our recommendation that the Director General of the USⅅCS periodically survey firms to determine the value of the counseling services.

We made revisions in this report in response to Commerce's technical comments.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

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Abbreviations

ADS	Agent/Distributor Service
AITS	Automated Information Transfer System
CSWTC	California State World Trade Commission
GAO	General Accounting Office
ITA	International Trade Administration
NPIS	New Product Information Service
TOP	Trade Opportunity Program
US&FCS	United States and Foreign Commercial Service
WTDR	World Traders Data Reports

GAO's Responses to Chairman's Questions

1. What are the goals and missions for the district offices and how effectively are these goals being met?

The stated mission of the district offices, reorganized within Commerce's International Trade Administration in 1980 and now known as the United States and Foreign Commercial Service (US&FCS), Domestic Operations, is to promote exports. Their primary goal is to influence small- and medium-sized firms (firms with less than 1,000 employees) to fully develop their export potential by providing information and advice to assist them to successfully begin exporting or, if already exporting, to enter new markets.

US&FCS has three basic strategies for meeting this goal.

1. To individually counsel firms about their export potential and about Commerce services available to help them realize the potential.

2. To heighten the awareness of the business community to exporting opportunities by sponsoring or participating in various types of export seminars and promoting attendance at trade events and shows.

3. To promote exports through state and other public and private export promotion organizations by enlisting their support in reaching other potential exporters.

Centrally, US&FCS publishes the Commerce Business Daily, which provides businesses with information on U.S. procurement needs and those of foreign governments.

In addition to their primary goal, district offices also respond to the needs of all other businesses for export information and advice. In recent years, for example, district offices have devoted an increasing portion of their resources to assisting businesses to comply with export control regulations. We call this type of assistance export facilitation.

We concluded from the two surveys of service users in 12 districts that the district offices had achieved some success in assisting firms to begin exporting or to enter new markets, although not to the extent the districts offices' reporting suggested. We also found that the district offices spend a major proportion of their resources in providing export facilitation services which do not directly contribute to accomplishing the primary goal but which, nevertheless, are valued by exporters. Appendixes III and IV are facsimiles of the survey questionnaires and summaries of

the responses. Appendix V provides our observations on responses to key questions.

We found that the US&FCS accomplishment reports overstated the district offices' contributions to expanding U.S. exports when compared with the views of businesses which received the services. For example, of 714 firms we surveyed for whom Commerce reported export accomplishments, only 38 percent remembered receiving the assistance and considered it at least somewhat influential in making the reported export. We attribute this to insufficient control over the accuracy of the reporting and to the fact that US&FCS criteria did not provide for a sufficient causal relationship between district office efforts and the exports reported. This reporting system also did not disclose the content and usefulness of the district offices' services which indirectly contribute to the nation's export performance by facilitating exports to established markets.

We briefed US&FCS about these problems and it subsequently tightened controls over reporting and revised reporting criteria for measuring district offices' success in developing new exporters or new markets. We reviewed the revised criteria and controls and believe that they will produce more useful data about this facet of district office performance. (See app. VI for specific changes in criteria and reporting controls.) However, we believe the data would be even more useful if it were systematically tested by comparing the reported successes with the way new exporters or new market entrants perceive the role played by the district offices in their successes.

The revisions still do not address the need to measure the performance of district offices in providing export facilitation services to firms already exporting in addition to those new to export or entering a new market. Since these services are not directly tied to new exports, we believe appropriate evaluations can be based on periodic surveys of firms about the helpfulness of the services.

Recommendation

To better evaluate the US&FCS contributions in developing new exporters and new markets and the value of its export facilitation assistance, we recommend that the Director General, US&FCS, periodically survey the businesses that are helped by the district offices to obtain their perceptions of the value of the services received.

2. What are the budget, staffing, organizational, resource, and personnel issues affecting the district offices and their effectiveness?

In fiscal year 1986, the district offices have been allocated a total budget of $14.1 million and a total staff of 361, including about 225 trade specialists who work directly with businesses. The budget and staff allocations have remained relatively static over the past 4 years, as shown in appendix VII. The number of staff in districts ranges from 2 to 26, as shown in appendix VII. Because it considers the opportunities to assist businesses to begin exporting or to expand exports greater than can be met with its limited staff, the US&FCS relies on states, chambers of commerce, and other public and private export promotion organizations for support in implementing its program. While it is evident that additional staffing would enable the district offices to expand their services to exporters, we are not in a position to assess budget priorities or whether additional staffing may be warranted.

In recent years, US&FCS has identified management and program problems believed to be limiting performance. In response, Commerce has taken the initiatives described below and in greater detail in appendix VIII which, if adequately implemented, appear to be useful.

- Created nine regional boundaries and designated an incumbent district director to serve collaterally as regional managing director, thus decentralizing certain headquarters functions and providing an organizational framework for developing and implementing districtwide policies.
- Targeted resources to businesses considered to have the highest potential for expanding exports.
- Completed a 2-year pilot project with one state to combine and jointly manage resources devoted to export promotion services within the state.
- Appointed special officers with 2-year appointments to work toward a stronger role for states in export promotion.
- Set export promotion goals tied to a new staff performance appraisal system.
- Improved systems for communicating with overseas posts and for storing and manipulating data important to the services the district offices provide.
- Worked toward developing revised criteria for geographically deploying staff to achieve a better balance with potential for developing exports.

3. What is the role of the district offices with respect to Commerce's specific programs?

The district offices serve as a liaison between the Department of Commerce and individual firms to increase awareness about such Commerce services as the Agent/Distributor Service, the World Trade Data Reports, and trade missions and fairs. (App. IX describes the principal services offered.) In addition, the offices serve as contact points to answer questions about export documentation requirements and license regulations, availability and sources of export financing, and other export related informational and administrative matters.

4. What is the extent of coordination between the district offices, the Foreign Commercial Service, and state trade offices?

To solve perceived problems in coordination between the district offices and the Foreign Commercial Service, Commerce in 1982 integrated the two services into one organizational unit. Direct communication between the domestic and foreign posts, without the need to go through Washington headquarters, was established to facilitate coordination of trade promotion efforts.

For the states, US&FCS requires that district offices have annually renewable cooperative trade promotion agreements with state organizations (see example in app. X). However, because US&FCS does not provide funding for state programs, the extent to which coordination is achieved largely depends upon the states.

For the most part, according to our survey results, coordination is not a problem among the district offices, the Foreign Commercial Service, and state trade offices. In the views of the officials we interviewed from 3 state export promotion offices (see app. XI) and the 12 district offices, duplication and overlap should not be a problem, considering the many opportunities to serve exporters and potential exporters relative to assistance available from these sources and the differences in the types of services offered.

5. What degree of flexibility do the district offices possess to tailor their goals and activities to the specific needs of the different states?

According to US&FCS market planning guidance, district offices use a common approach in assessing and meeting the needs of businesses within each state for exporting assistance. This includes identifying businesses with export potential for direct counseling assistance and

working through a network of state trade offices, chambers of commerce, and trade organizations to reach businesses the district offices do not plan to contact directly.

Despite this common approach, district directors have discretion in allocating their resources among such activities as direct counseling, seminars, working with trade promotion organizations, and responding to the needs for information. Commerce's market planning guidance allows the district directors discretion to tailor their programs to meet the needs of the different states.

6. How do district export councils operate and how effective are they?

The district export councils consist of members from businesses, state and local governments, academia, and private organizations and associations within the district. The Secretary of Commerce appoints these members to serve as advisors to the district offices, to help assess the needs of the business community, and to channel and direct export-related activities. Generally, they function as advisory and support groups to district offices, sponsoring or co-sponsoring with other entities export seminars, providing local viewpoints on U.S. trade policies, and advising the district offices on their export promotion strategies and plans.

It is not possible to directly measure the contribution of district export councils to increased exports. US&FCS considers it important for district offices to participate in the district export councils. Officials of two of the three state export promotion offices we visited also viewed these councils as useful.

Objectives, Scope, and Methodology

We made this review to respond to questions concerning the activities and effectiveness of the Department of Commerce's district offices raised by the Chairman, Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations.

Scope and Methodology

We interviewed officials of the US&FCS, which manages the district offices, and reviewed district office documents of activities and accomplishments in promoting exports. We visited 12 districts and discussed with district officials and trade specialists their activities and accomplishments. Through sampling procedures, we reviewed files of individual clients the district offices had served and the documentation for summary activity reports forwarded to headquarters. The 12 district offices we visited represent a cross-section of the 47 offices by size, location, manufacturing base, and exporting activity. However, they were not randomly selected and the number is not sufficient to statistically test hypotheses regarding all 47 offices.

To obtain information on the degree of coordination between district offices and state export promotion offices, we visited state offices in California, Mississippi, and New York, which were chosen because of the diverse characteristics of each program. They also were not randomly selected nor is the number sufficient to statistically test hypotheses regarding district office coordination with the 50 states.

To obtain business perceptions on the quality of services provided by district offices, we mailed two survey questionnaires to service users within the 12 districts. One survey was sent to businesses which the districts reported they had helped to begin exporting or to enter new markets; the second survey was sent to a selection of businesses which trade specialists reported they had counseled. Our sampling procedures are described in the following section. Our observations on the results of the two surveys are discussed in appendix V.

Our work was performed in accordance with generally accepted government auditing standards.

Survey Sampling Procedures

To measure activity and accomplishments, US&FCS directs the district offices to report each month, among other categories of data, the number of counseling sessions conducted and the number of firms which either began exporting or began exporting to a new market with district office assistance. Districts back up these monthly reports with Business

Contact Reports (ITA Form 700), which record the name of the firms contacted by trade specialists, the nature of the counseling session, and, if an accomplishment is being reported, the country to which the firm made its first export or first export to a new market and the value of the goods or services exported.

We drew our survey mailing list for both surveys from ITA Forms 700 prepared by the 12 district offices from July 1, 1982 to June 30, 1983.

Survey of New Exporters or New Entrants Into a Market

We mailed survey questionnaires to almost all businesses the 12 districts reported in the 1-year period as exporting for the first time or exporting to new markets with assistance from the district offices. When the same business was reported to have entered two or more new markets, we included only the market with the highest-value export for the focus of our questionnaire. (See app. III.)

We mailed a total of 1,016 questionnaires to the persons identified by the trade specialists as contacts for the reported information, with a cover letter explaining the purpose of the survey, identifying the country to which the export was made, and the approximate date the export occurred. Forty six of the questionnaires were returned by the U.S. Postal Service as undeliverable to the business or by the business as undeliverable to the person addressed because he or she was no longer employed there. For the remaining 970 questionnaires, we received 750 responses, yielding a 77.3 percent response rate.

Survey of Counseled Firms

From 24,636 counseling sessions reported by the 12 districts in the period, we randomly selected 795 by district, proportionate to the number of counseling sessions each had reported. Our objective was to obtain at least 400 usable responses to statistically represent the universe. We included only the most recent counseling session when two or more counseling sessions for the same business had been selected.

We mailed a total of 550 questionnaires to the contacts identified by the trade specialists as being counseled, with a cover letter explaining the purpose of the survey and the date the counseling occurred. Thirty-six of the questionnaires were returned by the U.S. Postal Service as undeliverable to the business or by the business as undeliverable to the person addressed because he or she was no longer employed there. For the remaining 514 questionnaires, we received 402 responses. Business perceptions of district office counseling (see app. IV), which had a 78.2

percent response rate, allows us to be 95 percent confident that our reported results are accurate to within plus or minus 7 percent.

Fascimile of Survey Questionnaire Addressed to New Exporters and New Market Entrants and Tabulated Responses

FASCIMILE OF SURVEY QUESTIONNAIRE ADDRESSED
TO NEW EXPORTERS AND NEW MARKET ENTRANTS
AND TABULATED RESPONSES

INSTRUCTIONS: The U.S. General Accounting Office, an agency of the Congress, is reviewing the effectiveness of services provided by international trade specialists in the district offices of the Department of Commerce's International Trade Administration.

The purpose of this questionnaire is to find out your opinion of the assistance provided your firm by a district trade specialist in the particular export cited in our cover letter, and also of any assistance which may have been provided on other occasions.

Please complete the questionnaire and return it in the preaddressed envelope within 5 days. Complete your answers by either checking the appropriate box or filling in the indicated blanks. The questionnaire should take no more than 15 minutes to complete. If you should have any questions, please call either Charles Chappell or Mario Artesiano at (404) 221-4676.

In the event the envelope provided is misplaced, mail to:

Mr. Charles Chappell
U.S. General Accounting Office
221 Courtland Street, N.E.
Atlanta, GA 30043

CASE NUMBER _____

If you checked item 5, please provide information for subsequent questions only for the subsidiary to which our letter was addressed.

PART I: DATA ABOUT YOUR FIRM

1. Which of the following best describes the firm you represent? (Check all that apply.)

1. A corporation without subsidiaries	(426)	42%
2. A corporation with subsidiaries	(119)	12%
3. A subsidiary corporation (please identify parent):	(145)	14%
name _____		
address _____ (city) (state)		
4. An owner-operated business	(241)	24%
5. Other (please specify) _____	(36)	3%
Total	(1015)	100%

Note: Total represents responses from 750 firms. Some respondents checked more than one box.

2. What is the principal business activity of your firm? (Check one.)

1. Manufacturing	(425)	44%
2. Distribution/wholesaling/retailing	(198)	20%
3. Services	(55)	6%
4. Other (please describe): _____	(54)	6%
Total	(732)	100%

3. How many full-time employees does your firm employ (at this location)? (Check one.)

1. 1 - 250	(650)	82%
2. 251 - 999	(58)	7%
3. 1,000 or more	(77)	10%
Total	(785)	100%

4. What is your firm's approximate total annual sales (most recent accounting year)? (Check one.)

1. Less than $1 million	(224)	33%
2. $ 1.0 - $ 2.5 million	(145)	21%
3. $ 2.6 - $ 4.9 million	(90)	14%
4. $ 5.0 - $ 9.9 million	(79)	12%
5. $10.0 - $24.9 million	(67)	10%
6. $25.0 - $49.9 million	(16)	2%
7. $50.0 million or more	(54)	8%
Total	(675)	100%

PART II: INFORMATION ABOUT THE EXPORT

5. Was the export mentioned in our cover letter the first sale of your product(s) to a market outside the U.S. and its possessions?

1. Yes (Skip to Q. 7)	[144]	21%
2. No	[547]	79%
Total	[691]	100%

6. Was the export the first your firm has made to the country mentioned in our cover letter?

1. Yes	[235]	44%
2. No	[300]	56%
Total	[535]	100%

7. To what extent do you plan to continue efforts to develop export markets for your product(s)? (Check one.)

1. To a very great extent	[296]	42%
2. To a great extent	[163]	23%
3. To a moderate extent	[110]	16%
4. To some extent	[87]	13%
5. To little or no extent	[43]	6%
Total	[699]	100%

8. To what extent, if any, do you recall assistance being provided by a district trade specialist for the export mentioned in our cover letter? (Check one.)

1. To a very great extent	[82]	12%
2. To a great extent	[131]	18%
3. To a moderate extent	[142]	20%
4. To some extent	[123]	17%
5. To little or no extent (Skip to Q. 14.)	[236]	33%
Total	[714]	100%

9. How influential a role, if any, did the district trade specialist have in the entry of your firm either into exporting or in exporting to the particular country mentioned in our cover letter? (Check one.)

1. Very greatly influential	[29]	6%
2. Greatly influential	[72]	15%
3. Moderately influential	[96]	20%
4. Somewhat influential	[72]	15%
5. Of little or no influence (Skip to Q. 14.)	[209]	44%
Total	[478]	100%

10. Were the services provided influential in your firm finding the buyer? (Check one.)

1. Yes	[90]	34%
2. No (Skip to Q. 12.)	[177]	66%
Total	[267]	100%

11. In which of the following ways, if any, did the district trade specialist assist in finding a buyer? (Check all that apply.)

1. Acquainted the firm with Commerce research data on potential buyers	[49]	31%
2. Provided specific sales lead	[29]	18%
3. Provided information on overseas agents or distributors	[41]	25%
4. Informed the firm of a trade event at which the firm's products were displayed	[16]	10%
5. Arranged introductions to potential buyers	[6]	4%
6. Provided other services which led to contact with buyer. (Please specify.)	[19]	12%
Total	[160]	100%

Note: Total represents responses from 90 firms. Some respondents checked more than one box.

12. Did the district trade specialist assist in ways other than in helping you to locate a buyer?

1. Yes	[196]	75%
2. No (Skip to Q. 14.)	[65]	25%
Total	[261]	100%

13. In which of the following ways did the district trade specialist assist other than in helping you locate a buyer? (Check all that apply.)

1. Provided information on export regulations	[156]	33%
2. Provided information on U.S. Customs' procedures and forms	[100]	21%
3. Provided information on import regulations in the destination country	[73]	16%
4. Provided information on sources of export financing and/or insurance	[64]	14%
5. Provided information on transportation	[31]	7%
6. Provided other type of assistance (Please specify.)	[41]	9%
Total	[465]	100%

Note: Total responses from 196 firms. Some respondents checked more than one box.

PART III: COMMENTS ABOUT ALL CONTACTS AND SERVICES

14. To what extent, if any, do you remember contacts with a district trade specialist outside the context of the particular export mentioned in our cover letter? (Check one.)

1. To a very great extent	[73]	10%
2. To a great extent	[116]	17%
3. To a moderate extent	[134]	19%
4. To some extent	[149]	21%
5. To little or no extent (Skip to Q. 18.)	[231]	33%
Total	[703]	100%

15. Overall, how useful, if at all, have you found your contacts with the district trade specialist? (Check one.)

1. Very greatly useful	[88]	18%
2. Very useful	[171]	36%
3. Moderately useful	[115]	24%
4. Somewhat useful	[80]	17%
5. Of little or no use (Skip to Q. 17.)	[26]	5%
Total	[480]	100%

16. To what extent, if at all, would you characterize the contacts with the district trade specialist as useful in the following ways? (Check one box for each row.)
(AFTER ANSWERING QUESTION 16, PLEASE SKIP TO QUESTION 18.)

A. PERCENTAGE ANALYSIS BY VALUES WITHIN ROWS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	38 9%	50 13%	62 16%	73 18%	175 44%	398 100%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	26 6%	68 17%	91 23%	63 16%	152 38%	400 100%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	56 13%	92 22%	112 27%	85 21%	70 17%	415 100%
4. Other (please specify.) _____	32 37%	31 36%	15 17%	4 5%	4 5%	86 100%

B. PERCENTAGE ANALYSIS BY VALUES WITHIN COLUMNS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	38 25%	50 21%	62 22%	73 32%	175 44%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	26 17%	68 28%	91 33%	63 28%	152 38%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	56 37%	92 38%	112 40%	85 38%	70 17%
4. Other (please specify.) _____	32 21%	31 13%	15 5%	4 2%	4 1%
Total	152 100%	241 100%	280 100%	225 100%	401 100%

16. Continued.

a. PERCENTAGE ANALYSIS BY ROW AND COLUMN TOTALS

	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	Total	
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	5%	36%	32%	13%	13%	149	100%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	20%	39%	21%	9%	11%	43	100%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	5%	36%	17%	9%	33%	418	100%
4. Other (please specify) _____	5%	31%	15%	4%	4%	98	100%
Total	15%	34%	20%	12%	19%	1,708	
	12%	18%	12%	11%	46%		100%

17. To what extent, if at all, would you characterize the contacts with the district trade specialist as of "little or no use" for the following reasons? (Check one box for each row.)

PERCENTAGE ANALYSIS BY VALUES WITHIN ROW

Of little or no use because:	Very great extent	Great extent	Moderate extent	Some extent	Little or no extent	Total	
1. The firm has no interest in exporting at this time	14%	0 0%	0	0%	1 2%	7 14%	14 100%
2. The services offered were not appropriate to firm's needs	4 24%	4 24%	1	6%	2 12%	5 31%	16 100%
3. The contact lacked specifics on export opportunities	7 41%	3 18%	0	0%	2 12%	5 29%	17 100%
4. Of other reasons (please specify) _____	1 50%	1 50%	0	0%	0 0%	0 0%	2 100%

17. Continued.

a. PERCENTAGE ANALYSIS BY VALUES WITHIN COLUMNS

Of little or no use because:	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent
1. The firm has no interest in exporting at this time	2 12$	0 0$	0 0$	3 43$	9 45$
2. The services offered were not appropriate to firm's needs	4 25$	4 45$	1 100$	2 29$	5 25$
3. The contact lacked specifics on export opportunities	7 44$	3 33$	0 0$	2 28$	5 27$
4. Of other reasons (please specify) _____	1 19$	2 22$	0 0$	0 0$	1 5$
Total	16 100$	9 100$	1 100$	7 100$	20 100$

b. PERCENTAGE ANALYSIS BY ROW AND COLUMN TOTALS

Of little or no use because:	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total	
1. The firm has no interest in exporting at this time	2	0	0	3	9	14	27$
2. The services offered were not appropriate to firm's needs	4	4	1	2	5	16	30$
3. The contact lacked specifics on export opportunities	7	3	0	2	5	17	32$
4. Of other reasons (please specify) _____	3	2	0	0	1	6	11$
Total	16 30$	9 17$	1 2$	7 13$	20 38$	53	100$

18. Please use the space below (or attach another sheet) to make any comments on the previous questions or to make suggestions about the trade promotion efforts of the Commerce Department's ITA district offices.

Facsimile of Survey Questionnaire Addressed to District Office Counselees and Tabulated Responses

FACSIMILE OF SURVEY QU AIRE
ADDRESSED TO DISTRICT OFFICE COUNSELEES
AND TABULATED RESPONSES

CONTROL NUMBER _____

INSTRUCTIONS: The U.S. General Accounting Office, an agency of the Congress, is reviewing the effectiveness of the Department of Commerce's International Trade Administration's district offices in promoting exports.

The purpose of this questionnaire is to find out your opinion on the value of the specific contact with the district trade specialist cited in our cover letter and also to find out your assessment of the usefulness of services that may have been provided by such trade specialists on other occasions.

Please complete the questionnaire and return it in the pre-addressed envelope within 5 days. Complete your answers by either checking the appropriate box or filling in the indicated blank. The questionnaire should take no more than 15 minutes to complete. If you should have any questions, please call either Charles Chappell or Mario Artesiano at (404) 221-4616.

In the event the envelope provided is misplaced, mail to:

Mr. Charles Chappell
U.S. General Accounting Office
221 Courtland Street, N.E.
Atlanta, GA 30043

PART I: DATA ABOUT YOUR FIRM
(Please note: Questions 1-4 should be answered based on the date mentioned in our cover letter.)

1. Which of the following best describes the firm you represent? (Check all that apply.)

1.	Corporation without subsidiaries	(203)	35%
2.	Corporation with subsidiaries	(74)	13%
3.	Subsidiary corporation (please identify parent):	(139)	24%
	name _____		
	address _____ (city) (state)		
4.	Owner-operated business	(132)	23%
5.	Other (please specify) _____	(32)	5%
	Total	(580)	100%

Note: Total represents responses from 382 firms. Some respondents checked more than one box. Twenty firms did not respond to this question.

(If you checked item 3, please provide information for subsequent questions only for the subsidiary to which our letter was addressed.)

2. What is the principal business activity of your firm? (Check one.)

1.	Manufacturing	(220)	60%
2.	Distribution/wholesaling/retailing	(68)	19%
3.	Services	(41)	11%
4.	Other (please describe): _____	(41)	11%
	Total	(370)	100%

3. How many full-time employees does your firm employ (at this location)? (Check one.)

1.	1 - 250	(316)	84%
2.	251 - 999	(43)	11%
3.	1,000 or more	(20)	5%
	Total	(379)	100%

4. What is your firm's approximate total annual sales (most recent accounting year)? (Check one.)

1.	Less than $1 million	(121)	33%
2.	$ 1.0 - $ 2.5 million	(54)	15%
3.	$ 2.6 - $ 4.9 million	(40)	11%
4.	$ 5.0 - $ 9.9 million	(34)	9%
5.	$10.0 - $24.9 million	(49)	13%
6.	$25.0 - $49.9 million	(17)	5%
7.	$50.0 million or more	(51)	14%
	Total	(366)	100%

20

PART II: EXPORTING EXPERIENCE

5. Please check the categories listed below in which your firm exports one or more products or services. (If a product seems to fit in two or more categories, check only the one best fitting category.)

	PRODUCTS		
1.	Chemical products	[34]	6%
2.	Coal	[1]	0%
3.	Electrical and electronic machinery, equipment, and supplies	[117]	21%
4.	Fabricated metal products except machinery and transportation equipment	[41]	7%
5.	Furniture and fixtures	[9]	2%
6.	Leather	[2]	0%
7.	Lumber and wood products (not furniture)	[15]	3%
8.	Machinery, except electrical	[49]	9%
9.	Measuring instruments; photographic, medical, and optical goods; watches, and clocks	[29]	5%
10.	Paper products	[18]	3%
11.	Petroleum products	[12]	2%
12.	Primary metal products	[5]	1%
13.	Printed products	[8]	1%
14.	Rubber and plastics	[24]	4%
15.	Stonery, clay, glass and concrete	[3]	1%
16.	Textiles	[10]	2%
17.	Transportation equipment	[18]	3%
18.	Other products (please specify):	[109]	19%
	SERVICES (please specify):		
19.	_____	[61]	11%
	Total	[565]	100%

Note: Total represents responses from 350 firms. Some respondents checked more than one box.

6. About what percent of your firm's sales are exports? (Check one.)

1.	Do not export	[57]	15%
2.	Less than 1 percent	[56]	15%
3.	1 - 5 percent	[61]	17%
4.	6 - 10 percent	[39]	11%
5.	11 - 15 percent	[22]	6%
6.	16 - 25 percent	[24]	6%
7.	Over 25 percent	[111]	30%
	Total	[370]	100%

7. How long, if at all, has your firm been exporting? (Check one.)

1.	Never actively exported although occasional export shipments may have been made in response to orders	[83]	24%
2.	Not now exporting, but had actively exported previously	[12]	3%
3.	Presently actively exporting for: (Check one.)		
	(1) Less than one year	[26]	8%
	(2) One to three years	[37]	11%
	(3) Over three years	[180]	51%
4.	Other (please describe): _____	[12]	3%
	Total	[350]	100%

8. Which of the following best describes your firm's export expertise? (Check all that apply.)

1.	Specialized export staff at this location.	[162]	43%
2.	Specialized export staff at the firm's headquarters or at a parent organization.	[28]	7%
3.	No in-house export expertise available; use export management company or other private sector services.	[82]	22%
4.	No in-house export expertise available; use ITA or other state/local government services.	[61]	16%
5.	Other (please describe): _____	[45]	12%
	Total	[378]	100%

Note: Total represents reponses from 351 firms. Some respondents checked more than one box.

PART III: INFORMATION ABOUT THE CONTACT

(PLEASE NOTE THAT THE FOCUS FOR QUESTIONS 9-15 SHOULD BE THE CONTACT DATE MENTIONED IN OUR COVER LETTER.)

9. To what extent, if any, are you familiar with the details of your contact with the district trade specialist on the date specified in our cover letter? (Check one.)

1.	To a very great extent	[62]	11%
2.	To a great extent	[55]	15%
3.	To a moderate extent	[70]	19%
4.	To some extent	[62]	16%
5.	To little or no extent (Skip to Q. 15)	[125]	35%
	Total	[374]	100%

10. Was the contact mentioned in our letter initiated by your firm or by the trade specialist? (Check one.)

1.	Initiated by my firm	[171]	21%
2.	Initiated by the trade specialist	[64]	23%
3.	Initiated by someone else (Please specify) _____	[51]	2%
	Total	[240]	100%

11. How did the contact take place: in person, by telephone, or by mail? (Check one.)

1.	In person (Continue to Q. 12)	[145]	59%
2.	By telephone (Skip to Q. 15)	[82]	33%
3.	By mail (Skip to Q. 15)	[17]	7%
4.	Other (Please specify) _____	[5]	1%
	Total	[247]	100%

12. Where did the contact take place: at your firm's location, or at the ITA district office? (Check one.)

1.	At my firm's location	[62]	51%
2.	At the ITA district office	[52]	36%
3.	Other (Please specify) _____	[11]	7%
	Total	[145]	100%

13. To what extent, if at all, would you characterize each of the following statements as the purpose(s) of this contact? (Check one box for each row.)

A. PERCENTAGE ANALYSIS BY VALUES WITHIN ROWS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total
1. To generally describe the services available to you from ITA	34 15%	70 31%	58 26%	29 13%	34 15%	225 100%
2. To obtain information to evaluate the potential for the sale of your products or services abroad	36 16%	55 24%	50 22%	39 17%	48 21%	228 100%
3. To provide you with specific information on a potential market for your products or services	36 16%	49 22%	50 22%	34 15%	56 25%	225 100%
4. To provide you with specific product information developed by ITA to enable you to identify potential export markets	21 10%	34 15%	51 23%	40 18%	74 34%	220 100%
5. To assess the status of your marketing/exporting plans	11 5%	20 9%	53 25%	56 26%	75 35%	215 100%
6. To answer a specific question your firm had on exporting	60 26%	47 21%	48 21%	25 11%	47 21%	227 100%
7. Other (please specify) _____	16 59%	5 19%	1 4%	0 0%	5 18%	27 100%

13. Continued.

B. PERCENTAGE ANALYSIS BY VALUES WITHIN COLUMNS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent
1. To generally describe the services available to you from ITA	34 16%	70 25%	58 19%	29 13%	34 10%
2. To obtain information to evaluate the potential for the sale of your products or services abroad	36 17%	55 20%	50 16%	39 18%	48 14%
3. To provide you with specific information on a potential market for your products or services	36 17%	49 17%	50 16%	34 15%	56 17%
4. To provide you with specific product information developed by ITA to enable you to identify potential export markets	21 10%	34 12%	51 16%	40 18%	74 22%
5. To assess the status of your marketing/exporting plans	11 5%	20 7%	53 17%	56 25%	75 22%
6. To answer a specific question your firm had on exporting	60 28%	47 17%	48 16%	25 11%	47 14%
7. Other (please specify) _____	16 7%	5 2%	1 0%	0 0%	5 1%
Total	214 100%	280 100%	311 100%	223 100%	339 100%

14. Would you agree or disagree with the following statements regarding the usefulness of this contact? (Check one box for each row.)

A. PERCENTAGE ANALYSIS BY VALUES WITHIN ROWS

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
1. Helpful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale in a new market	28 13%	45 21%	45 21%	60 27%	39 18%	217 100%
2. Helpful to the point of creating a better awareness within the firm of export opportunities available	33 15%	115 52%	26 12%	28 12%	20 9%	222 100%
3. Not helpful because exporting advice is available within the firm	4 2%	21 10%	35 18%	96 49%	41 21%	197 100%
4. Not helpful because the services offered were not appropriate to the firm's needs	6 3%	27 14%	34 17%	92 46%	39 20%	198 100%
5. Not helpful because the contact lacked specifics on export opportunities	9 5%	30 15%	31 15%	84 42%	46 23%	200 100%
6. Other (please specify) _____	13 65%	3 15%	3 15%	0 0%	1 5%	20 100%

14. (Continued)

B. PERCENTAGE ANALYSIS BY ROW AND COLUMN TOTALS

HELPFUL--Agree/Disagree	Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	Total Agree/ Disagree	Undecided
1. Helpful to the point of playing an instrumental role in the firm making its initial export sale or in making sale in a new market	28	45	73 42%	60	39	99 58%	172 100%	45
2. Helpful to the point of creating a better awareness within the firm of export opportunities available	33	115	148 76%	28	20	48 24%	196 100%	26
Total	61 17%	160 43%	221 60%	88 24%	59 16%	147 40%	368 100%	
NOT HELPFUL--Agree/Disagree								
3. Not helpful because exporting advice is available within the firm	4	21	25 15%	96	41	137 85%	162 100%	35
4. Not helpful because the services offered were not appropriate to the firm's needs	6	27	33 20%	92	39	131 80%	164 100%	34
5. Not helpful because the contact lacked specifics on export opportunities	9	30	39 23%	84	46	130 77%	169 100%	31
Total	19 4%	78 16%	97 20%	272 55%	126 25%	398 80%	495 100%	
NOT CLASSIFIABLE AS HELPFUL/NOT HELPFUL								
6. Other (please specify) _____	13	3		0	1			3

PART IV: COMMENTS ABOUT ALL CONTACTS AND SERVICES
(IF YOUR FIRM HAS HAD MORE CONTACTS THAN THE CONTACT PREVIOUSLY MENTIONED IN OUR LETTER, PLEASE COMPLETE THIS PART; OTHERWISE, SKIP TO Q. 20.)

15. About how many contacts (both visits and telephone calls) were made between your firm and the ITA district office during the last two years? (Check one.)

1.	Less than 5	(139)	49%
2.	6 - 10	(70)	24%
3.	10 - 15	(35)	12%
4.	15 - 25	(16)	6%
5.	Over 25	(25)	9%
	Total	(285)	100%

16. Which best describes who initiated these contacts (both visits and telephone calls)? (Check one.)

1.	None was initiated by the firm	(30)	11%
2.	Some were initiated by the firm	(37)	13%
3.	About half were initiated by the firm	(49)	18%
4.	Most were initiated by the firm	(84)	31%
5.	All, or nearly all, were initiated by the firm	(73)	27%
	Total	(273)	100%

17. Overall, how useful, if at all, have you found your contacts with the trade specialist(s). (Check one.)

1.	Very greatly useful	(52)	18%
2.	Very useful	(102)	35%
3.	Moderately useful	(58)	20%
4.	Somewhat useful	(43)	14%
5.	Of little or no use (Skip to Question 19.)	(38)	13%
	Total	(293)	100%

18. To what extent, if at all, would your characterize the contacts with the trade specialist(s) as useful in the following ways? (Check one box for each row.)
(AFTER ANSWERING QUESTION 18, PLEASE SKIP TO QUESTION 20.)

A. PERCENTAGE ANALYSIS BY VALUES WITHIN ROWS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total	
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	28 13%	37 17%	36 17%	38 17%	79 36%	218	100%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	19 9%	26 12%	34 16%	31 15%	101 48%	211	100%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	37 16%	58 25%	59 25%	39 17%	39 17%	232	100%
4. Other (please specify.)	11 33%	13 40%	8 24%	1 3%	0 0%	33	100%

B. PERCENTAGE ANALYSIS BY VALUES WITHIN COLUMNS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	28 30%	37 28%	36 26%	38 35%	79 36%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	19 20%	26 19%	34 25%	31 28%	101 46%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	37 39%	58 43%	59 43%	39 36%	39 18%
4. Other (please specify.)	11 11%	13 10%	8 10%	1 1%	0 0%
Total	95 100%	124 100%	137 100%	109 100%	219 100%

18. Continued.

C. PERCENTAGE ANALYSIS BY ROW AND COLUMN TOTALS

	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total	
1. Useful to the point of playing an instrumental role in a decision by the firm to actively pursue export markets	28	37	36	38	79	218	31%
2. Useful to the point of playing an instrumental role in the firm making its initial export sale or in making a sale to a new export market	19	26	34	31	101	211	30%
3. Useful to the point of creating a better awareness within the firm of export opportunities available	37	58	59	39	39	232	34%
4. Other (please specify.)	11	13	8	1	0	33	5%
Total	95	134	137	109	219	694	
	14%	10%	20%	16%	31%		100%

19. To what extent, if at all, would you characterize the contacts with the trade specialist(s) as of "little or no use" for the following reasons? (Check one box for each row.)

PERCENTAGE ANALYSIS BY VALUES WITHIN ROWS

Of little or no use because:	Very great Extent	Great Extent	Moderate Extent	Some Extent	Little or no Extent	Total	
1. Firm has no interest in exporting at this time	5 28%	2 11%	1 6%	0 0%	10 55%	18	100
2. Services offered were not appropriate to the firm's needs	3 15%	7 35%	3 15%	2 10%	5 25%	20	100
3. Contact lacked specifics on export opportunities	5 26%	4 21%	4 21%	1 5%	5 27%	19	100
4. Of other reasons (please specify) _____	1 50%	0 0%	0 0%	0 0%	1 50%	2	100

20. Please use the space below (or attach another sheet) to make any comments on the previous questions or to make suggestions about the trade promotion efforts of the Commerce Department's ITA district offices.

THANK YOU FOR YOUR HELP.

Our Observations on Responses To Survey Questionnaires

In both surveys, we asked key questions to obtain business perceptions about the usefulness of the export counseling provided by 12 district offices. The survey in appendix III, mailed to most of the businesses the districts reported as having been assisted to export or to export to new markets, asked how influential the counseling had been to their initial success. The survey in appendix IV, directed to a randomly selected group of counseled firms, asked how useful the counseling was on specific dates and how useful it was on other occasions.

The surveys were needed because simply aggregating the number of counseling sessions gathered by US&FCS does not reveal the scope or effectiveness of the counseling. US&FCS broadly defines counseling as "any mutual exchange of information, ideas, or opinions through discussions and deliberations and the advice resulting from an exchange, oral or written, which may advise, recommend, or urge acceptance of an action, or plan." Thus, the counseling may help a business identify a suitable market and a distribution channel for its products and provide information about sources of export financing, insurance, and documentation, or it may answer a specific question.

Although both surveys dealt with counseling, we needed two separate surveys because counseling serves two purposes: (1) to increase exports by working with businesses which have potential for exporting or for expanding their markets and (2) to facilitate exports to existing markets. Thus, one survey focused on the district offices' role in increasing exports and the other focused on export facilitation services.

Effectiveness in Influencing Businesses to Export or to Enter New Markets[1]

When measured against responses to our survey, the reported accomplishments of the district offices in helping businesses to begin exporting or exporting to a new market appear to be substantially overstated.

- Of the 714 surveyed firms for whom Commerce reported export accomplishments only 38 percent remembered receiving the assistance and considered it at least somewhat influential in making the reported export.
- 312 of 691 respondents, or 45 percent, answered that the export was not their first export or their first into the market cited as reported by Commerce.

[1]Because questionnaires were sent to all possible respondents, reported results are precisely representative.

- Some exports, including some very large reported export accomplishments, never took place. Three reported exports with a reported value of $318 million accounted for 70 percent of export accomplishments claimed by the 12 district offices we visited for the year ending June 30, 1983. We found that two of the reported exports had never taken place and the third firm reported that the export took place with little or no help from a district office.

  Predominantly, those respondents which attributed the exports to district office influence answered that it was in other ways than in helping to find buyers for the products or services—only 90 of 267, or 34 percent, perceived that the district office had helped them to find buyers, most frequently by acquainting the firm with Commerce research data on potential buyers and by providing information on agents or distributors. On the other hand, 196 of 261, or 75 percent, perceived that the district office helped most frequently by providing information on Commerce export regulations administered by U.S. customs and on required procedures and forms.

  We attribute the wide variation between the US&FCS-reported influence in helping businesses to export and the respondents' perceptions primarily to US&FCS reporting criteria, which did not distinguish between the greater challenge of assisting firms with no exporting experience or no previous experience in a market from those with experience. For reporting purposes, US&FCS defined a new-to-export firm as one which had not exported within the previous 12 months and a new-to-market firm as one which had not exported into a particular market within the previous 12 months. In our survey, we asked respondents whether the export was their first export or their first export into the market, without reference to a period of time.

  Further, US&FCS reporting criteria did not provide for a sufficient causal relationship between district office efforts and the exports reported, which allowed district offices to take credit for assisting in an export from a variety of services, some of which might be considered critical to the export while others may not. In our survey, we simply asked the businesses for their perceptions of district office influence without reference to specific services. US&FCS has since changed the criteria. (See app. VI.)

Information provided by some respondents which accounted for a major portion of the dollar value of exports attributed to the districts' counseling program suggest substantial reporting inaccuracies. Some examples follow.[2]

- One respondent, reported by the district office as a "new-to-export" firm, stated that his company not only had been exporting but also had been exporting into the particular market cited since 1970.
- Two respondents, reported by the district offices as "new-to-market" firms, stated that their firms had been exporting into the markets reported for about 34 and 35 years, respectively.
- Another respondent, reported by the district office as a "new-to-market" firm, stated that it had made no sales in that particular market, although it had obtained an export license and sent an item of equipment for demonstrations. However, even that item had been returned to the United States.
- Another respondent, reported by the district office as a "new-to-market" firm, stated that the high-value items which it eventually hoped to sell had not been sold nor even manufactured. It further stated that their manufacture would require a long lead-time.

Business Perceptions of District Office Counseling

We found that Commerce's internal reporting system did not collect information on the usefulness of its counseling services. It is our view that the perceptions of the businessmen as to the usefulness of the counseling received from the district office trade specialists is a required element of a credible reporting system. In our survey questionnaires we sought to obtain business perceptions of district office counseling, with the following results.

- 125 of 374 respondents, or 33 percent, did not recall or clearly recall the counseling session.
- Of 249 respondents who more clearly recalled the sessions, 172 expressed an opinion on the usefulness of the counseling session in making a new export; 42 percent agreed that the counseling helped in making initial export sales in a new market. Further, of 196 respondents who recalled the contact more clearly and who expressed an opinion on the value of the session in promoting export awareness, 76 percent agreed that the contact helped in making the firms more aware of exporting opportunities.

[2]Because we assured respondents that we would not release data provided to us outside of GAO, specific details have been omitted from the examples.

These percentages confirm district office counseling effectiveness among respondents who recalled it; however, if the counseling provided to respondents who did not recall or clearly recall the counseling is viewed as ineffective, the respective percentages drop from 42 to 25 percent and from 76 to 46 percent.

- Of 293 respondents who recalled other contacts, 154, or 53 percent, described them as having been "very useful" or "very greatly useful"; 101, or 34 percent, described them as having been "somewhat" or "moderately" useful; and 38, or 13 percent, described them as being of "little or no use".

  Of respondents who recalled other contacts and found them useful in ways that are important to the development of new exports, 110 of 211, or 52 percent, believed the contacts were useful in an incremental range from "some extent" to "very great extent" in making initial export sales or initial sales in a new market; 193 of 232, or 83 percent, answered that the contacts were useful in an incremental range from "some extent" to "very great extent" in creating a better awareness of export opportunities.

  In summary, these data appear to confirm that district offices are providing services which are valued by service users. The confirmation is greater among businesses which recalled multiple contacts with district personnel.

Changes in US&FCS Criteria for Reporting Export Accomplishments

In January 1985, US&FCS issued revised instructions to the district offices for reporting accomplishments from counseling businesses to enter exporting or to enter new markets. These instructions redefined "new-to-export" and "new-to-market" firms and tightened reporting controls.

Terms Redefined

A new-to-export firm had been defined as one which had not exported on sustained basis within 12 months preceding the export being reported and a new-to-market firm as one which had not exported on a sustained basis to a particular country within 12 months preceding the export being reported.

In redefining these terms, US&FCS excluded firms which had actively exported in the past from the new-to-export category and those which had actively exported into a particular market from the new-to-market category. We believe the redefined terms provide a useful reporting distinction. Firms without experience in either exporting or selling in a particular market present a more realistic test of the value of the assistance provided by the trade specialists.

Reporting Criteria

Criteria had allowed trade specialists to report exports for credit if the export resulted from the trade specialist

- informing the firm about Commerce marketing services, such as the Agent/Distributor Service and the Trade Opportunity Program;
- counseling the firm about export markets or assisting it in obtaining financing and information on export documentation requirements and licensing which enabled the firm to consummate the sale;
- informing the firm about marketing information relative to the specific market the firm entered; and
- soliciting the firm to participate in a trade event sponsored by the International Trade Administration or any overseas exhibition or trade mission and an initial sale of $1,000 or more was made or an agent/distributor was appointed.

The revised criteria omits the qualifying details and emphasizes the trade specialist's relationship with the firm and the firm's commitment to exporting on an ongoing basis. The key determinant is whether the trade specialist was instrumental in the firm's successful export as the result of a well-established relationship through which specific assistance/guidance was offered to support the firm's penetration of a given

country or region. The new criteria places the burden on the trade specialist to substantiate a linkage between the services provided to the firm and the export by file documentation, which is to be summarized when the export is reported. In addition, instructions in applying the revised criteria give the district director direct responsibility for the validity of export actions reported and the regional managing director responsibility for those reported from the region.

We believe the revised criteria clarify the essential tests for reporting district accomplishments in influencing firms to begin exporting or to enter new markets. We also believe that the documentation requirements should act as a discipline to encourage reliable reporting. However, as we have recommended in appendix I, another useful reporting discipline would be to periodically survey firms which have used district office services. Such a survey would clarify the firms' perceptions of how useful the district office services were to a claimed export and whether exports may be attributed to such services. It would also provide a basis for assessing the usefulness of the counseling services not directly involved in generating exports.

District Office Staffing and Funding

Table VII.1 Staffing and Funding (Fiscal Years 1981-86)

Dollars in millions

Fiscal year	Funding[a]	Authorized positions
1981	$ 11.1	338
1982	$ 16.7	388
1983	$ 13.0	347
1984	$ 14.3	355
1985	$ 14.0	366
1986	$ 14.1	361

[a]Funding shown is that directly for salaries and other costs for maintaining district-based personnel. US&FCS has personnel at headquarters whose time is dedicated to district office operations and other personnel who provide supporting services, but the salary and other costs for these positions is not allocated to the cost of district office operations.

Table VII.2 Staffing by Office (Fiscal Year 1985)

Northeastern Region I	
Boston	14
Buffalo	6
Hartford	6
New York	26
	52
Mid-Atlantic Region II	
Baltimore	6
Philadelphia	10
Pittsburgh	6
Trenton	14
	36
Appalachian Region III	
Charleston (W.Va.)	4
Columbia	5
Greensboro	13
Louisville	5
Nashville	7
Richmond	6
	40
Southeastern Region IV	
Atlanta	7
Birmingham	8
Jackson	4
Miami	14
San Juan	4

Savannah	3
	40
Great Lakes Region V	
Chicago	17
Cincinnati	8
Cleveland	8
Detroit	12
Indianapolis	5
Milwaukee	7
Minneapolis	6
	63
Plains Region VI	
Des Moines	5
Kansas City	5
Omaha	3
St. Louis	9
	22
Central Region VII	
Albuquerque	2
Dallas	14
Houston	7
Little Rock	5
New Orleans	6
Oklahoma City	4
	38
Rocky Mountain Region VIII	
Denver	8
Phoenix	7
Reno	2
Salt Lake City	3
	20
Pacific Region IX	
Anchorage	2
Honolulu	3
Los Angeles	18
Portland	6
San Francisco	18
Seattle	8
	55
Total districts	**366**

US&FCS Management Initiatives

Internal Reorganization

In July 1981, the 47 district offices were reorganized into 9 regions to decentralize headquarters' authority for budgeting, staffing, personnel, and procurement and to provide an organizational framework through which US&FCS would develop and implement districtwide policies. Regional offices were not created; an incumbent district director within the region was selected to serve collaterally as the regional managing director.

Targeting

District office export promotion efforts focus on small and medium-sized firms which have the potential to export or to enter new markets. US&FCS defines small firms as those with 250 employees or less and medium-sized firms as those with 250 to 1,000 employees. US&FCS believes this focus is appropriate because these businesses (1) reportedly produce a greater number of jobs per dollar of exports than large firms, (2) are not vulnerable to market or technological displacement because of their diversity, (3) have a major role in innovative high technology, (4) need export counseling assistance from public sources until they become capable of using or joining an export trading company, and (5) need local services available through the US&FCS district office network.

In fiscal year 1983, US&FCS issued criteria to the districts for identifying firms with the highest export potential and directed the districts to develop a list of firms to receive counseling emphasis. According to the criteria, the firms selected must have

- products of high export demand;
- a high-technology focus;
- strong research and development programs;
- high value-added product lines;
- a strong capital structure;
- special or unusual marketing techniques;
- a high share of the domestic market; and
- the capacity to sustain an export market.

Pilot Programs to Better Coordinate Export Promotion With States

Part of the US&FCS export promotion strategy is to enlist the support of individual states in implementing its export promotion program. In 1982, US&FCS began two pilot efforts to gain increased state support.

1. US&FCS hired 15 special officers with 2-year appointments to inventory state export promotion programs and to promote participation in a 5-part program in which the states would

- designate a constitutional officer, preferably the lieutenant governor, to head the state export development efforts;
- create an export council composed of representatives from the private export community;
- adopt a legislative package, comparable to one in Illinois, creating a state-based export finance program;
- use foreign students attending U.S. universities and traveling U.S. businessmen to assist in trade promotion efforts; and
- increase discussions on colocating export promotion offices with US&FCS. (US&FCS later dropped this program element.)

This pilot effort has now ended.

2. In 1982, as a 2-year pilot project, US&FCS agreed with the state of Oklahoma to open a district office in Oklahoma City with a suboffice in Tulsa to be staffed jointly by federal and state personnel. US&FCS and the state each funded four trade specialist positions. The state provides office space, equipment, and administrative support. The state had previously been serviced from Commerce's Dallas office.

Goal Setting

In response to requirements of the Civil Service Reform Act (5 U.S.C. 4302), US&FCS began to implement a new Management Planning and Performance Appraisal System in October 1981. The principal feature of the system was its dual purpose of serving not only as a performance appraisal system but also as a tool to develop consistent work plans among the districts to achieve common goals, including those set by Commerce's management by objectives system. Numerically based goals included the number of firms the district would assist to begin exporting or to begin exporting to a new market and the number of counseling sessions to be provided to businesses. Overall district goals were to be a composite of individual goals of district staff.

Improving Communications, Data Storage, and Retrieval

In 1982, US&FCS began to implement a plan to improve the communications and data processing capability of district offices. The purpose of the automated system, known as the Automated Information Transfer System (AITS), is to give district offices the capability to enter information about selected firms within their districts so that trade information or trade leads received by the district can be quickly matched with and given to firms capable of responding to them. The system is now operational.

US&FCS established the capability for district offices to send messages directly to foreign posts, eliminating the need to first route them through headquarters.

Developing Staffing Criteria

For several years, US&FCS has discussed the need to develop criteria for geographically deploying staff according to their potential productivity in assisting to develop exports. District office staffing generally reflects the pattern developed when district offices promoted domestic as well as export commerce. The pattern was based on the relative manufacturing activity in each district. (See app. VI for staffing by district office.)

US&FCS believes that the manufacturing activity for many products is not directly correlated with export potential because of the noncompetitiveness of many U.S.-manufactured products in world markets. In addition, manufacturing activity is heavily skewed by the presence of major producers which are not among businesses targeted for district office assistance. While US&FCS' current staff allocation model continues to give the greatest weight to manufacturing activity, the model also includes five other criteria.

US&FCS has taken no action to adopt or implement revised staffing criteria, but it is still under active discussion.

Commerce's Export Promotion Programs and Services

Export Programs

Trade Opportunities Program (TOP)	Export opportunities, originating from either private or government sources overseas, are transmitted to the TOP computer in Washington, D.C., by overseas posts. Subscribers to TOP provide Commerce with information about products and services they wish to export, their countries of interest, and the types of opportunities desired (direct sales, overseas representation, or foreign government tenders). When computerized matches occur between interests of foreign buyers and U.S. sellers, a "trade opportunity notice" is mailed to the subscriber. As an alternative to this customized service, businesses may subscribe to the TOP Bulletin, a weekly compilation of all export leads, or the TOP Datatape Service, which transmits the leads electronically.
Agent/Distributor Service (ADS)	ADS matches exporters with reputable agent/distributors in importing countries. After ordering this service, the post in the country to which the business is interested in exporting provides it with a list of up to six foreign representatives who have expressed interest in representing the firm.
Major Projects Program	The program is designed to help U.S. firms successfully bid on planning, engineering, or construction of large projects undertaken by foreign countries, including equipment and "turnkey" installations. When requested to do so by an embassy, a prospective foreign client, or a U.S. firm, Commerce assists U.S. firms capable of bidding on the contract.
World Traders Data Reports (WTDR)	WTDRs provide U.S. businesses with investigative information to assess the reliability of prospective foreign trading partners. Compiled by Foreign Commercial Service posts, WTDRs provide the type of organization, year established, relative size, number of employees, general reputation, territory covered, language preferred, product lines handled, principal owners, financial references, and trade references (including a general assessment of the firm's reliability).

Listings of U.S. Businesses and Foreign Firms

Export Contact List Services

Commerce collects and stores data about foreign firms in a master computer file, known as the Foreign Traders Index (FTI). The file covers about 60 countries and contains information about more than 140,000 importing firms, agents, representatives, distributors, manufacturers, service organizations, retailers, and potential end-users of American products and services. The file is available to U.S. businesses for developing overseas markets.

Automated Information and Transfer System (AITS)

The purpose of AITS is to provide exporters and importers with trade information more quickly and conveniently through a system of microcomputers, terminals, and word processors located in US&FCS district offices and overseas posts.

Each district has established a computer file containing information about firms in its territory, which is used to match the firm with demands identified for products or services overseas. Each firm's file includes address, product lines, trade and marketing interests, size, and other information. Firms which use various Commerce marketing services or which have been targeted for counseling services because of their potential are registered in the file.

Promotional Activities Overseas

New Product Information Service (NPIS)

NPIS introduces and publicizes new American products to foreign markets through Commercial News USA, a monthly magazine published by Commerce, and through Voice of America radio broadcasts.

Trade Fair Certification Program

Under this program, Commerce provides certifications to international trade fairs organized by trade associations, exhibition management companies, trade fair operators, and other private sector companies. Upon certification, the fair promoter is provided with assistance, advice, and counseling for the event. ITA also organizes U.S. participation in trade events worldwide.

Business Counseling and Educational Programs

Export Counseling

Personalized export counseling is available to both established and potential exporters to help them develop or expand markets abroad. Export counseling services are provided for the most part by US&FCS district offices and cover the various Commerce informational and promotional support services which firms may use to increase exports.

Trade Disputes Assistance

ITA also assists in resolving trade disputes arising between American and foreign traders. This assistance is limited to informal, conciliatory efforts to remove misunderstandings and enable the disputants to settle their differences through negotiations.

Export Seminars

US&FCS holds approximately 5,000 export seminars each year, ranging in attendance from 3 to 5 persons in an office setting to 1,000 at a major meeting facility. The subjects may be the basics of exporting or they may focus on marketing to a particular country, export documentation, financing, and controls. Commerce also conducts seminars/conferences on current international trade-related issues of particular interest to the international business community.

Statistical and Overseas Marketing Information

Product Research Materials

Commerce compiles data on U.S. exports by commodity and country and analyzes the competitiveness of U.S. products in world markets as well as in specific markets. This information helps firms to identify markets for their products.

Market Research Materials

Commerce also prepares various publications containing marketing information by country. For example, Overseas Business Reports provide data on economy, trade regulations, marketing, and selling practices by specific country. Foreign Commercial Service posts prepare status reports on economic trends in various countries.

Example of Federal/State Cooperative Agreement for Promoting Exports

EXAMPLE OF FEDERAL/STATE COOPERATIVE AGREEMENT
FOR PROMOTING EXPORTS

STATE/FEDERAL COOPERATIVE PLAN
FOR ECONOMIC DEVELOPMENT

Jackson District Office, United States Department of Commerce

Mississippi Department of Economic Development
Jackson, Mississippi

SECTION I - PURPOSE

In order to further promote the commerce and economic well-being of the business community of the State of Mississippi, the Jackson District Office (JDO) and the Mississippi Department of Economic Development (MDED) mutually agree to undertake the following actions in 1984, in addition to their regular activities, to assist business.

SECTION II - GENERAL

Under this agreement the two agencies agree to plan and coordinate their activities to promote domestic and international trade in the State of Mississippi. This includes joint holding of domestic and international trade seminars and conferences; joint efforts on export promotion; joint efforts to stimulate production and conserve energy; and joint activities to identify emerging economic problems. Specifics of the plan are indicated below.

SECTION III - JOINT ACTIONS BY THE MISSISSIPPI DEPARTMENT OF DEVELOPMENT AND THE JACKSON DISTRICT OFFICE, UNITED STATES DEPARTMENT OF COMMERCE

1. MDED will appoint a representative who together with JDO representative will meet quarterly (or as necessary) to:

   a) Discuss new or changed United States Department of Commerce programs, services, and regulations pertaining to domestic/international trade

   b) Coordinate dissemination of United States Department of Commerce information and services to Mississippi companies who may benefit from them.

c) Keep abreast of international, national and local economic conditions, problems, and opportunities that may make an impact on the Mississippi business community.

d) Implement appropriate cross-training for MDED personnel on new United States Department of Commerce programs.

2. News items or articles prepared by JDO which MDED deems to be appropriate will be published in its house organ.

3. JDO and MDED will cooperate in establishing a state-wide mailing list of firms and organizations interested in international trade development. The list will include not only manufacturing clients but also other prospects, as well as banks, transportation companies and other international trade servicing firms.

4. MDED will maintain in its office a selection of United States Department of Commerce publications which are furnished gratis, pertaining to domestic issues and international trade.

5. JDO and MDED will jointly coordinate and sponsor an appropriate number of international trade seminars at mutually agreed-upon dates and sites.

6. MDED will organize and sponsor ICGA Trade Missions and will enlist the assistance of JDO.

7. JDO and MDED will exchange international trade leads and reverse investment leads as deemed appropriate by both parties.

1/24/84 _____, Executive Director
Date Signed Mississippi Department of Economic Development

1-24-84 _____, Director
Date Signed United States Department of Commerce Jackson District Office

Export Promotion Programs of California, Mississippi, and New York and Views of the State Officials on Federal Export Promotion

State Programs

California

Export promotion efforts were reorganized in California in September 1982, when the legislature created the California State World Trade Commission (CSWTC). Previously, export promotion was a function of the Department of Economic and Business Development. In August 1985, the CSWTC had nine professional employees—the director, two assigned to trade policy issues, three to trade development, one to trade research, and two (based in Los Angeles) to export financing. Staff members assigned to trade development principally are involved with organizing California firms to participate in trade events, developing trade leads and referring them to businesses, and answering or referring questions from the business community on export matters.

The state program is guided and assisted by a 15-member appointed commission and a 35-member appointed advisory group. The advisory group is divided into 7 committees, such as reverse investment, international trade, ports, and transportation.

The Commission's administrative budget for fiscal year 1985 was $1.1 million. The Commission also administers a state fund of $2 million, which provides loan guarantees and insurance for exports.

Mississippi

Export promotion efforts are centered in the Marketing Division of the Department of Economic Development. The Division expected to assume responsibilities also for administering an export financing program. Two appointed advisory boards of the Department, representing various political and business interests within the state, guide and direct Division activities.

The Marketing Division has a total of 10 employees, consisting of 2 at the management level, 6 at the operating level, and 2 at the support level. The 6 operational employees are trade specialists, each responsible for a specific geographical area of the state to work directly with businesses.

The Division has been funded at about $500,000 annually by the state and has had no other sources of funding. The Division expected this level of funding to increase with the addition of an export financing program.

New York

The Division of International Commerce of the state's Department of Commerce administers the export promotion program. The Division's headquarters is in New York City, where all personnel are based except those assigned to five overseas offices (Tokyo, London, Weisbaden, Toronto, and Montreal). State officials estimate that 5 to 15 percent of the time of overseas staff promoting both exports and reverse investment is devoted to export promotion; however, since assigning an additional staff member to the London office in 1985 to exclusively promote exports, the overall percentage of total staff time devoted to export promotion will increase. The Division has an external advisory body, the World Trade Council, which was formed to deal with trade policy issues.

State officials estimated that the Division devotes 15 staff years annually to export promotion, principally organizing trade missions and shows, responding to business requests for exporting information, and developing and disseminating trade leads. The Division does not provide onsite counseling services as Commerce does.

State officials estimated that the Division spends $2 million annually for export promotion. Except for a grant of $75,000 from the Economic Development Administration in 1983 for a demonstration project, the Division's funding principally is from state appropriations but also includes fees from firms participating in state-sponsored trade events and other revenue-producing ventures.

State Officials' Views

State/Federal Duplication of Export Promotion Efforts

The New York state director believed there was some duplication between the federal government and the state government in promoting exports; e.g., they both disseminate trade leads, participate in international trade seminars, and identify companies that may have untapped export potential. The director, however, believed that the risk of duplicating services offered to individual firms in New York was minimal because there is such a need for the types of services each provides.

The Mississippi state director also believed there was duplication between US&FCS and his organization but that each fills a different niche. For example, both provide counseling to businesses but, in his opinion, the type of counseling is different. He characterized his counseling program as being able to help firms that would be overlooked by the federal

program. He believed that federal programs too often are tailored to national priorities, such as an emphasis on assisting firms with high-technology products, which leave the US&FCS district offices little latitude for adjusting to meet local needs.

The California state director believes that the state's program serves to fill voids in the federal programs, such as recruiting businesses to participate in trade events which are not actively supported by the federal program and providing export financing to smaller businesses, which fills a gap in Export-Import Bank programs.

State and Federal Roles in Export Promotion

The New York state director believed that the federal government's presence abroad is essential to making state programs work—in collecting trade leads, promoting trade shows and missions, and knowing the marketing environment in various foreign countries. He also believed the federal domestic role is necessary to provide services that the state is not staffed to provide, such as counseling visits to firms. He believes his Division is more flexible in adjusting operations to capitalize on market trends and methods of reaching these markets and that district office operations are heavily influenced by centrally planned requirements.

The Mississippi state director also believed that the federal role in gathering trade information abroad is essential. Domestically, he believed states are in better position to provide export counseling to businesses because they have knowledge of individual businesses and can tailor export promotion services to their needs. He believed this extends also to knowing which firms would benefit from participation in trade missions.

The California state director believed that the federal government should have the primary role in all facets of export promotion and that states should respond to fill any gaps in their interests.

Usefulness of Annual Agreements Between US&FCS and States

None of the three state officials believed that the annual agreements, as such, were of use to their programs. Generally, they believed the agreements were superfluous and that their cooperative relationships with the district offices did not depend upon written agreements. Each stated that they entered into the agreements as an accommodation to the district officials, who are required by headquarters to seek such agreements.

Usefulness of District Export Councils

The New York and California state directors believed that the councils served a useful purpose. The New York director said that the council served to keep him up to date on many international trade issues and provided enlightenment on topics brought before it. The California director believed the value of international trade organizations, such as the district export council, is in providing a network for communication and a mechanism for tapping local interest in exporting. The Mississippi state director viewed the district export council as primarily a support group for Commerce's trade policies.

Usefulness of Regional Business/ Government Relations Officers

The New York and California state directors believed the program developed better relationships between the federal and state governments. The New York director did not believe the officers were well supported by the established bureaucracy, which limited their achievements.

The Mississippi state director did not believe the program improved federal/state relationships in his state because it emphasized a particular concept for a state program of financing exports at a time when the state administration's concept was being considered by the state legislature. However, he observed that US&FCS recently has shown an interest in developing greater cooperation with states, with the states being formally involved in the process of streamlining some US&FCS export promotion programs and in developing the means to achieve improved cooperative relationships.

Comments From the Department of Commerce

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D.C. 20230

JAN 27 1986

Mr. J. Dexter Peach
Director, Resources, Community, and
Economic Development Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This is in reply to GAO's letter of November 13, 1985, requesting comments on the draft report entitled "Export Promotion: Commerce District Offices' Export Assistance to U.S. Business."

We have reviewed the enclosed comments of the Under Secretary for International Trade and believe they are responsive to the matters discussed in the report.

Sincerely,

Kay Bailow
Assistant Secretary
for Administration

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington D.C. 20230

JAN [illegible]

Dear Mr. Peach:

Thank you for the opportunity to comment on your draft report, "Commerce Export District Offices' Assistance to U.S. Business." I apologize for not responding earlier.

A principal finding of the Report indicated that our District Offices overstated the number of new-to-export and new-to-market actions. We believe that a major reason for the overstatements was our excessive reliance on numerical goals as a means of determining the effectiveness of our program. While it is necessary to have some tangible evidence to measure our efforts, we must recognize there is no decisive way to determine the effect of our counseling on businesses. To more realistically assess our efforts, we are str ssing the need within our account executive system to combine a quantitative and qualitative approach.

We have also made changes in our reporting process that guard against the abuse revealed in the Report. Our reporting requirements are now more concise and rigorous and we have instituted a management oversight system to ensure the reliability of the information supplied to us from the field. Finally, we will implement the Report's recommendation that the Director General periodically survey firms to determine the value of our counseling services.

We appreciate your comments, as noted in your letter to Chairman Barnard, about the useful and worthwhile role which our District Offices play in the Administration's trade promotion efforts. We intend to increase their effectiveness under our new system.

We look forward to elaborating on our efforts to improve our export counseling program in our testimony on February 6 before the House Subcommittee on Commerce, Consumer and Monetary Affairs. I have asked Alex Good, Director General of the United States and Foreign Commercial Service, to send you a copy of his testimony.

We have enclosed some technical comments for your review.

Sincerely,

Bruce Smart

Bruce Smart

Mr. J. Dexter Peach
Director, United States
General Accounting Office
Washington D.C. 20548

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